

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Mastodon	County Iron
Fiscal Year End 03/31/07	Opinion Date 05/29/07	Date Audit Report Submitted to State 08/16/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

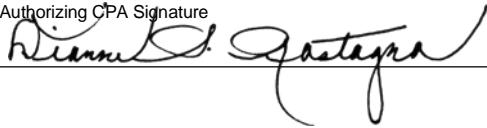
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There are no issues to report.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 	Printed Name Dianne S. Rostagno, CPA		License Number 1101021859

TOWNSHIP OF MASTODON

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

March 31, 2007

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Governing Board
Township of Mastodon
PO Box 155
Alpha, Michigan 49902

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Mastodon**, Alpha, Michigan, as of and for the fiscal year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Township of Mastodon**, Alpha, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

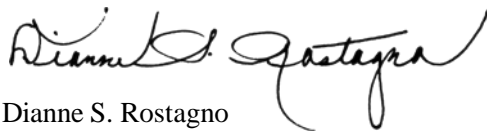
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Mastodon**, Alpha, Michigan, as of March 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2007, on our consideration of the **Township of Mastodon**, Alpha, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Mastodon**, Alpha, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mastodon Township

Upper Michigan's Iron County

402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

The management of the Township of Mastodon provides this narrative overview and analysis of the financial activities of the Township of Mastodon for the fiscal year ended March 31, 2007. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, Township property, public safety, public works, and parks and recreation. The business-type activity of the Township is the Water Utility service.

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The government-wide financial statements include not only the Township itself (known as the primary government), but also the following legally separate component unit for which the Township is financially accountable: Alpha Mastodon Township Fire Department. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Road, and Capital Projects Funds, all of which are considered major funds. The Liquor Law Enforcement and Debt Service Funds are considered non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and major special revenue funds, and is included in the "Required Supplementary Information" section of this document.

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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

Mastodon Township

Upper Michigan's Iron County

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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 1,130,121 at March 31.

By far, the largest portion of the Township's net assets (approximately 69%) is held in the form of cash and cash equivalents. In addition, a substantial percentage (approximately 30%) of the total net assets are in the form of capital assets. These capital assets are used to provide services to citizens and are not available for future spending. It should also be noted that these assets are free of related debt. At March 31, 2007, the Township reported \$ 339,965 in net capital assets.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$458,997 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$1,123,371 and \$6,750, respectively.

Summary of Net Assets

The following summarizes the comparative net assets at fiscal years ended March 31, 2007 and March 31, 2006:

	March 31, 2007		
	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>Assets</u>			
Current and other assets	\$ 783427	\$ 7125	\$ 790552
Capital assets, net	<u>339965</u>	<u>0</u>	<u>339965</u>
Total Assets	\$ 1123392	\$ 7125	\$ 1130517

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Government-wide Financial Analysis

	March 31, 2007		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>21</u>	<u>375</u>	<u>396</u>
Total Liabilities	\$ 21	\$ 375	\$ 396
<u>Net Assets</u>			
Invested in capital assets, net of related debt	339965	0	339965
Reserved	324409	6750	331159
Unreserved	<u>458997</u>	<u>0</u>	<u>458997</u>
Total Net Assets	\$ 1123371	\$ 6750	\$ 1130121

	March 31, 2006		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current and other assets	\$ 624811	\$ 5485	\$ 630296
Capital assets, net	<u>222304</u>	<u>0</u>	<u>222304</u>
Total Assets	\$ 847115	\$ 5485	\$ 852600

Mastodon Township

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Government-wide Financial Analysis (Continued)

	<u>March 31, 2006</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Liabilities</u>	<u>Activities</u>	<u>Activities</u>	
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>1949</u>	<u>325</u>	<u>2274</u>
Total Liabilities	1949	325	2274
<u>Net Assets</u>			
Invested in capital assets, net of related debt	222304	0	222304
Reserved	164703	5160	169863
Unreserved	<u>458159</u>	<u>0</u>	<u>458159</u>
Total Net Assets	\$ 845166	\$ 5160	\$ 850326

For governmental activities, net assets increased by \$278,205 during the fiscal year. For business-type activities, net assets increased by \$1,590 during the fiscal year.

Results of Operations

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2007 and March 31, 2006:

Mastodon Township

Upper Michigan's Iron County

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Government-wide Financial Analysis (Continued)

	<u>March 31, 2007</u>		
	<u>Primary</u>	<u>Government</u>	
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Revenues</u>			
<i>Program Revenues</i>			
Charges for services	\$ 9277	\$ 3978	\$ 13255
Operating grants	4201		4201
<i>General Revenues</i>			
Property taxes	206926	-0-	206926
Other taxes	43830		43830
Unrestricted grants	32069		32069
Other	<u>24067</u>	<u>53</u>	<u>24120</u>
Total Revenues	\$ 320370	\$ 4031	\$ 324401
<u>Expenses</u>			
General government	62321	-0-	62321
Legislative	21756		21756
Township property	22941	-0-	22941
Public safety	32922		32922
Public works	36559		36559
Parks and recreation	9722		9722
Depreciation	<u>34686</u>	<u>-0-</u>	<u>34686</u>
Total governmental expenses	220907	-0-	220907
Business- type activities			
Water services	<u>-0-</u>	<u>2441</u>	<u>2441</u>
Total business-type expenses	-0	2441	2441
Total expenses	\$ 220907	\$ 2441	\$ 223348
<u>Other Revenues (Expenses)</u>			
Transfer To External Parties	-9482	-0-	-9482
Transfer From External Parties	188224	-0-	188224
Increase (Decrease) in Net Assets	278205	1590	279795
Net Assets – Beginning of Year	845166	5160	850326
Net Assets – End of Year	\$ 1123371	\$ 6750	\$ 1130121

Mastodon Township

Upper Michigan's Iron County

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Government-wide Financial Analysis (Continued)

	March	31, 2006	
	Primary	Government	
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Revenues</u>			
<i>Program Revenues</i>			
Charges for services	\$ 11993	\$ 3316	\$ 15309
Operating grants	8597		8597
<i>General Revenues</i>			
Property taxes	193395		193395
Other taxes	43543		43543
Unrestricted grants	31912		31912
Other	<u>19155</u>	<u>41</u>	<u>19196</u>
Total Revenues	\$ 308595	\$ 3357	\$ 311952
<u>Expenses</u>			
General government	63222	-0-	63222
Legislative	17507		17507
Township property	32006		32006
Public safety	30079	-0-	30079
Public works	31498		31498
Parks and recreation	9038		9038
Depreciation	<u>30232</u>	<u>-0-</u>	<u>30232</u>
Total governmental expenses	213582	-0-	213582
Business- type activities			
Water services	<u>-0-</u>	<u>2754</u>	<u>2754</u>
Total business-type expenses	-0-	2754	2754
Total expenses	\$ 213582	\$ 2754	\$ 216336
Increase (Decrease) in Net Assets	95013	603	95616
Net Assets – Beginning of Year	750153	4557	754710
Net Assets – End of Year	\$ 845166	\$ 5160	\$ 850326

Mastodon Township

Upper Michigan's Iron County

402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

Governmental Activities

Property taxes and other tax revenues comprise \$250,756 or approximately 79 percent of total governmental revenues. And, at fiscal year-end, the Township reported \$32,069 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$220,907 on governmental programs and services. Some of the largest expense categories were for general government, where \$62,321, or 29 percent of total governmental expenditures were made; \$22,941 was expended for the maintenance of Township property, and \$32,922, or 15 percent of total governmental expenditures were made for public safety.

Business-type Activities

Business-type activities increased the Township's net assets by \$1,590. Charges for services for the Water activities for the year ended were \$3,978. Total expenses for the Water activities for the year ended were \$2,441.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the Township's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$783,406, of which \$324,897 is reserved and the remaining \$458,509 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues less than the original and the final projections in the General Fund, but more than budgetary projections in the Road Fund. Total expenditures in the General Fund and the Road Fund were considerably less than both the original and the final projections. At fiscal year-end, both the General Fund and the Road Fund fund balances were higher than budgeted.

Mastodon Township

Upper Michigan's Iron County

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Governmental Funds (Continued)

Revenue – Budget vs Actual for Fiscal Year Ended March 31, 2007:

	Revenue Original Budget	Revenue Final Budget	Revenue Final Actual	Revenue Variance Actual vs Original Budget	Revenue Variance Actual vs Final Budget
General Fund	\$310,416	\$310,416	\$304,690	\$(5726)	\$(5726)
Road Fund	77,480	77,480	82,034	4,554	4,554

Expenditures – Budget vs Actual for Fiscal Year Ended March 31, 2007:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$377,972	\$377,972	\$194,277	\$183,695	\$183,695
Road Fund	159,822	159,822	22,428	137,394	137,394

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes were slightly higher than the original and final budgetary projections.
- * State sales tax distributions were up from the budgeted amounts, coming in at \$32,069, which exceeds by \$2,069 the budgeted estimates of \$30,000.
- * Expenditures in total for the general fund were \$194,277, less than the final amended budget by \$183,695. This was largely due to the fact that expenditures for legislative activities, Township Hall expenditures, general government, and fire protection were considerably less than the amounts appropriated for these purposes.

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Governmental Funds (Continued)

Special revenue funds financial and budgetary highlights of the fiscal year include:

- * Road repair costs incurred during the year were considerably less than the amount budgeted, with actual expenditures of \$22,428, compared to the budgeted \$159,822.

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$6,750.

The change in net assets was a gain of \$1,590.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$339,965. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 9,085 or just approximately 1.3 percent of the estimated original cost of total assets. All infrastructure is accounted for in the General Fund, and consists of sewer mains and lines.

A major capital event during the current fiscal year included:

- * The sale of the Township Hall for \$65,000.

Mastodon Township

Upper Michigan's Iron County

402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

Capital Assets and Debt Administration (Continued)

Long-term debt

The Township has no long-term debt at March 31, 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no outstanding general obligation debt, this is not a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Despite rising costs and limited resources, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

Significant plans and major priorities for the Township for the 2007-2008 fiscal year include:

- * Move into the new building and fire hall,
- * Sale of First Street garage
- * Purchase tile for Camp 5 community building floor.
- * Co-host the U.P. Fire Tournament.

Mastodon Township

Upper Michigan's Iron County

402 Center Street . P.O. Box 155 . Alpha, MI 49902 . Township Hall (906) 875-6232

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Mastodon Township
Alpha, Michigan 49902

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MASTODON

STATEMENT OF NET ASSETS

MARCH 31, 2007

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents (Note C)	\$ 739,042	\$ 6,760	\$ 745,802
Receivables			
Taxes and Assessments	9,752	-	9,752
Accounts Receivable	144	365	509
Due from External Parties	34,489	-	34,489
Total Current Assets	783,427	7,125	790,552
<u>Noncurrent Assets</u>			
Cash, Restricted	-	-	-
Capital Assets, Net (Note H)	339,965	-	339,965
Total Noncurrent Assets	339,965	-	339,965
TOTAL ASSETS	\$ 1,123,392	\$ 7,125	\$ 1,130,517
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	21	-	21
Accrued Taxes	-	-	-
Deferred Revenue	-	375	375
Total Current Liabilities	21	375	396
TOTAL LIABILITIES	21	375	396
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	339,965	-	339,965
Reserved for Road Repair	224,309	-	224,309
Reserved for Debt Service	100	-	100
Reserved for Capital Projects	100,000	-	100,000
Reserved for Water Repairs/Improvements	-	6,750	6,750
Unreserved and Undesignated	458,997	-	458,997
TOTAL NET ASSETS	\$ 1,123,371	\$ 6,750	\$ 1,130,121

TOWNSHIP OF MASTODON

STATEMENT OF NET ASSETS

MARCH 31, 2007

<u>Component Units</u>	<u>Total Reporting Entity</u>
\$ 2,362	\$ 748,164
-	9,752
-	509
-	34,489
<hr/>	<hr/>
2,362	792,914
-	-
-	339,965
<hr/>	<hr/>
-	339,965
\$ 2,362	\$ 1,132,879
-	21
-	-
-	375
<hr/>	<hr/>
-	396
-	396
-	339,965
-	224,309
-	100
-	100,000
-	6,750
2,362	461,359
<hr/>	<hr/>
\$ 2,362	\$ 1,132,483

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants
Primary Government -				
General government	\$ 62,321	\$ 2,007	\$ -	\$ -
Legislative	21,756			
Township property	22,941	2,161		
Public safety	32,922	5,109		-
Public works	36,559		4,201	
Parks and recreation	9,722			-
Depreciation (Unallocated)	34,686			
Total Governmental Activities	220,907	9,277	4,201	-
<u>Business-type Activities</u>				
Water	2,441	3,978		-
Total Business-type Activities	2,441	3,978	-	-
Total Primary Government	223,348	13,255	4,201	-
<u>Component Units</u>				
Alpha Mastodon Township				
Fire Department	5,371	-	-	180,168
General Revenues:				
Taxes:				
Property taxes levied for general operations				
Property taxes levied road repair				
Other taxes and fees				
State Sales Tax Distribution				
Gain on Sale of Property				
Interest and Investment Earnings				
Fundraising				
Other				
Total General Revenues				
<u>Other Revenues (Expenses)</u>				
Transfer To External Parties				
Transfer From External Parties				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

TOWNSHIP OF MASTODON

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2007

***Net (Expense) Revenue and Changes
in Net Assets***

Governmental Activities	Business-type Activities	Total	Component Units
\$ (60,314)	\$ -	\$ (60,314)	\$ -
(21,756)		(21,756)	
(20,780)		(20,780)	
(27,813)	-	(27,813)	-
(32,358)		(32,358)	
(9,722)		(9,722)	
(34,686)		(34,686)	
(207,429)	-	(207,429)	-
-	1,537	1,537	-
-	1,537	1,537	-
(207,429)	1,537	(205,892)	-
-	-	-	174,797
132,689	-	132,689	-
74,237	-	74,237	-
43,830	-	43,830	-
32,069	-	32,069	-
7,316	-	7,316	-
8,628	53	8,681	100
-	-	-	5,741
8,123	-	8,123	-
306,892	53	306,945	5,841
(9,482)	-	-	9,482
188,224	-	-	(188,224)
278,205	1,590	279,795	1,896
845,166	5,160	850,326	466
\$ 1,123,371	\$ 6,750	\$ 1,130,121	\$ 2,362

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Capital Projects Fund</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$ 422,997	\$ 216,279	\$ 100,000
Receivables:			
Taxes and Assessments	6,307	3,445	-
Accounts Receivable	144	-	-
Due from Other Funds	29,904	4,614	-
	<u>29,904</u>	<u>4,614</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 459,352</u>	<u>\$ 224,338</u>	<u>\$ 100,000</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Taxes	-	-	-
Accounts Payable	21	-	-
Deferred Revenue	-	-	-
Due to Other Funds	822	-	-
	<u>822</u>	<u>-</u>	<u>-</u>
Total Liabilities	843	-	-
<u>Fund Balances</u>			
Reserved for Road Repair	-	224,338	-
Reserved for Liquor Law Enforcement	-	-	-
Reserved for Capital Projects	-	-	100,000
Reserved for Debt Service	-	-	-
Unreserved and Undesignated	458,509	-	-
	<u>458,509</u>	<u>224,338</u>	<u>100,000</u>
Total Fund Balances	458,509	224,338	100,000
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 459,352</u>	<u>\$ 224,338</u>	<u>\$ 100,000</u>

TOWNSHIP OF MASTODON

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2007

Nonmajor Governmental Fund	Total Governmental Funds
\$ (234)	739,042
-	9,752
-	144
<u>793</u>	<u>35,311</u>
<u>\$ 559</u>	<u>\$ 784,249</u>
-	-
-	21
-	-
<u>-</u>	<u>822</u>
-	843
-	224,338
459	459
-	100,000
100	100
-	458,509
<u>559</u>	<u>783,406</u>
<u>\$ 559</u>	<u>\$ 784,249</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2007

Fund Balances - Total Governmental Funds	\$ 783,406
-------------------------------------------------	-------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	745,862
Accumulated depreciation is:	(405,897)

Long term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	-
Compensated Absences	-

Other long term assets not available to pay current period expenditures therefore deferred in the funds	-
---------------------------------------------------------------------------------------------------------	---

Accrued interest is not included as a liability in governmental funds	-
-----------------------------------------------------------------------	---

Total Net Assets - Governmental Activities	<u>\$ 1,123,371</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2007

	<u>General Fund</u>	<u>Road Fund</u>
<u>REVENUE</u>		
General Property taxes	\$ 132,689	\$ 74,237
Other local taxes & assessments	27,887	120
Fees/Penalties/ interest on taxes	20,602	-
Licenses, permits, and fees	2,007	-
Sale of property	74,000	-
Use of money and property	7,313	3,476
Charges for services	-	-
Miscellaneous	8,123	-
Intergovernmental	<u>32,069</u>	<u>4,201</u>
TOTAL REVENUE	\$ 304,690	\$ 82,034
<u>EXPENDITURES</u>		
Current Operating:		
General Government	62,322	-
Legislative	21,756	-
Township property	44,529	-
Public safety	32,599	-
Public works	16,552	22,428
Parks and recreation	16,519	-
Community development	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 194,277	\$ 22,428
Excess (Deficiency) of Revenues Over Expenditures	110,413	59,606
Other Financing Sources (Uses)		
Operating transfers in		-
Operating transfers out	<u>(109,582)</u>	<u>-</u>
Total Other Financing Sources(Uses)	(109,582)	-
Net Change in Fund Balances	831	59,606
FUND BALANCE - BEGINNING OF YEAR	<u>457,678</u>	<u>164,732</u>
FUND BALANCE - END OF YEAR	<u>\$ 458,509</u>	<u>\$ 224,338</u>

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2007

Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 206,926
-	-	28,007
-	-	20,602
-	-	2,007
-	-	74,000
-	-	10,789
-	-	-
-	-	8,123
-	330	36,600
\$ -	\$ 330	\$ 387,054
-	-	62,322
-	-	21,756
-	-	44,529
-	323	32,922
-	-	38,980
-	-	16,519
-	-	-
\$ -	\$ 323	\$ 217,028
-	7	170,026
100,000	100	100,100
-	-	(109,582)
100,000	100	(9,482)
100,000	107	160,544
-	452	622,862
\$ 100,000	\$ 559	\$ 783,406

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 160,544
---------------------------------------------------------------	-------------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(34,686)
Capital Outlay	219,031

Governmental funds report the gross proceeds from the sale
of an asset; the statement of activities report only the net gain
from the sale

Cost/basis of asset sold	<u>(66,684)</u>
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Total	117,661
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Change in Net Assets of Governmental Activities	<u>\$ 278,205</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF FUND NET ASSETS -ENTERPRISE FUND

MARCH 31, 2007

	<u>Water Fund</u>
ASSETS	
<u>Current Assets:</u>	
Cash, Unrestricted	\$ 6,760
Receivables, Net	
Accounts	<u>365</u>
Total Current Assets	7,125
TOTAL ASSETS	\$ 7,125
 LIABILITIES	
<u>Current Liabilities:</u>	
Deferred Revenues	<u>375</u>
Total Current Liabilities	375
TOTAL LIABILITIES	375
 NET ASSETS	
Restricted	<u>6,750</u>
TOTAL NET ASSETS	<u>\$ 6,750</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ENTERPRISE FUND**

YEAR ENDED MARCH 31, 2007

	<u>Water Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 3,978
Miscellaneous	<u>-</u>
TOTAL OPERATING REVENUES	3,978
<u>OPERATING EXPENSES</u>	
Personal Services and Benefits	10
Contractual Services	1,716
Repairs and Maintenance	-
Other Supplies and Expenses	715
Administrative Expenses	-
Depreciation	-
Miscellaneous	<u>-</u>
TOTAL OPERATING EXPENSES	2,441
OPERATING INCOME (LOSS)	1,537
Non-Operating Revenues (Expenses:)	
Interest Revenue	<u>53</u>
Total Non-Operating Revenues (Expenses)	53
Change in Net Assets	1,590
NET ASSETS, BEGINNING OF YEAR	<u>5,160</u>
NET ASSETS, END OF YEAR	<u><u>\$ 6,750</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF CASH FLOWS - ENTERPRISE FUND

FISCAL YEAR ENDED MARCH 31, 2007

	<u>Water Fund</u>
CASH FLOWS FROM (USED BY)	
<u>OPERATING ACTIVITIES</u>	
Net cash received from fees and services	\$ 4,993
Other operating revenues	
Cash payments to employees for services	(10)
Cash payments to goods and services	(2,431)
Other operating expenses	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	2,552
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>	
Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-
	<hr/>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	-
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	
Principal payment on long-term bonds	
Interest paid on long-term bonds	
Interest and tax expense	
Proceeds from borrowings	
Contributed capital grants	-
	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
<u>INVESTING ACTIVITIES</u>	
Interest Income	53
	<hr/>
NET CASH FROM INVESTING ACTIVITIES	53
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,605
Cash and Cash Equivalents, Beginning of Year	<hr/> 4,155
Cash and Cash Equivalents, End of Year	\$ 6,760

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ 1,537
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	-
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	965
Increase (Decrease) in accounts payable	
Increase (Decrease) in deferred revenue	50
Increase (Decrease) in customer deposits	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 2,552</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

FIDUCIARY FUND**STATEMENT OF FIDUCIARY NET ASSETS***MARCH 31, 2007*

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 78,761</u>
TOTAL ASSETS	\$ 78,761
<u>LIABILITIES</u>	
Due to Other Funds	34,489
Due to Other Governmental Units	<u>44,272</u>
TOTAL LIABILITIES	\$ 78,761
NET ASSETS	\$ -

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS*MARCH 31, 2007***ASSETS****Current Assets**

Cash and cash equivalents	<u>\$ 2,362</u>
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Total Current Assets	2,362
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TOTAL ASSETS	<u><u>\$ 2,362</u></u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	-
Net Assets, Unreserved	<u>2,362</u>

TOTAL NET ASSETS	<u><u>\$ 2,362</u></u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Alpha Mastodon Township Fire Department	\$ 5,371	\$ -	\$ -	\$ 180,168	\$ 174,797
			-		
	\$ 5,371	\$ -	\$ -	\$ 180,168	\$ 174,797
General Revenues:					
Fund Raising					5,741
Interest and Investment earnings					100
Miscellaneous					-
Total General Revenues					5,841
<u>Other Revenues (Expenses)</u>					
Transfer from External Parties					9,482
Transfer to External Parties					(188,224)
Change in Net Assets					1,896
Net Assets-Beginning of Year					466
Net Assets-End of Year					<u><u>\$ 2,362</u></u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF MASTODON

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **Township of Mastodon**, Alpha, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **Township of Mastodon** covers an area of approximately 83789 acres. The Township operates under an elected Council (5 members) and provides services to approximately 435 residents in many areas including law enforcement protection, general administration, and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY(Continued)

On this basis, the financial statements of the Alpha Mastodon Township Fire Department are included in the financial statements of the Township as discretely presented component units.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the **Township of Mastodon**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements (Continued)

The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component unit.

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) reserved; and 3) unreserved.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedule

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The discretely presented component unit has a March 31 fiscal year-end.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements.

The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category) and the component unit.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, parks and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The General Fund is always considered a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor Law Enforcement* and *Road Repair* funds are Special Revenue Funds.

The Road Repair fund is considered a major fund for reporting purposes. The Liquor Law Enforcement fund is considered a non-major fund for reporting purposes.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service fund is a non-major fund for reporting purposes.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which is not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Projects Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Projects Fund.

During the fiscal year ended March 31, 2007, the Township maintained one capital project fund. The Capital Projects Fund is a major fund for reporting purposes.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's *Water Fund* is an Enterprise Fund.

For reporting purposes, the Water Fund is considered to be a major fund.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The Township's *Current Tax Collection Fund* is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds (when applicable) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The Township has a reserved fund balance at March 31, 2007 as follows:

\$ 227,543 is reserved for the maintenance and improvement of Township roads in the Road Fund.

\$ 459 is reserved for Liquor Law Enforcement in the Liquor Law Enforcement Fund.

\$ 100 is reserved for Debt Service in the Debt Service Fund.

\$ 100,000 is reserved for Capital Projects in the Capital Projects Fund.

\$ 6,750 is reserved for Water Fund repairs and improvements in the Water Fund.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting purposes.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments on July 01 and December 01. They become delinquent the following March 01.

The Township bills and collects its own property taxes and also collects taxes for the school district and county. Collections for the schools and county are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year. The 2006 Taxable Valuation of the Township was \$ 51,952,693, on which is levied 2.5542 mills for general operation of the Township, and 1.4291 mills for the maintenance and improvement of Township roads.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

To the extent the Township's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Equipment..... 5 - 20 years

Land Improvements..... 20 years

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick pay.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the inter-fund receivables and payables as of March 31, 2007 were as follows:

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 29904	\$ 822
Liquor Law Enforcement	793	0
Road	4614	0
Trust and Agency	<u>0</u>	<u>34489</u>
Totals	\$ <u>35311</u>	\$ <u>35311</u>

At year-end, the Trust and Agency Fund had amounts due to both the General Fund and the Road Fund from current property tax collections.

Other payables and receivables represent timing differences in the receipt and disbursements of funds relating to operating activities.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2007, the carrying value of the Township's deposits (Primary Government) was \$ 824,563 and is comprised of cash and deposits reflected in the following funds:

<i>Governmental Funds</i>	
General Fund	\$ 422997
Road Fund	216279
Liquor Law Enforcement Fund	(334)
Debt Service Fund	100
Capital Projects Fund	<u>100000</u>
<i>Total Governmental Funds</i>	739042
<i>Enterprise Funds</i>	
Water Fund	<u>6760</u>
<i>Total Enterprise Funds</i>	6760
<i>Fiduciary Funds</i>	
Tax Collection Fund	<u>78761</u>
<i>Total Fiduciary Funds</i>	78761
Total Primary Government	\$ 824563

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the Township's cash deposits
(Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category 1	Category 2	Category 3	Totals
Cash and Deposits	\$ 318614	\$ -0-	\$ 505949	\$ 824563

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

COMPONENT UNITS

On March 31, 2007, the carrying value of the Component Unit's deposits was \$ 2,362 and is comprised of cash and deposits reflected as follows:

Alpha Mastodon Township Fire Department	\$	<u>2362</u>
Total Component Unit	\$	2362

Based on the levels of risk, the Component Unit's cash and deposits are classified as follows:

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

<u>Component Units</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 2362	\$ -0-	\$ -0-	\$ 2362

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name.

Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

The Township has no pension plan.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The **Township of Mastodon**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The approved budgets of the **Township of Mastodon** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

For the fiscal year ended March 31, 2007, there were no expenditures that exceeded the amended budget amounts.

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2007, the Township had no fund balance/retained earnings deficit in any fund.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2007:

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2006	Increases	Decreases	Balance March 31, 2007
GOVERNMENTAL ACTIVITIES				
<u>Capital Assets Not Being Depreciated</u>	\$	\$	\$	\$
Land and Land Improvements	<u>3228</u>	<u>19621</u>	<u>-0-</u>	<u>22849</u>
Total Capital Assets Not Being Depreciated	3228	19621	-0-	22849
<u>Other Capital Assets</u>				
Construction in Progress	-0-	1967	-0-	1967
Buildings	202082	-0-	154301	47781
Furniture and Other Equipment	470823	197443	4086	664180
Sewer Mains/Lines	<u>9085</u>	<u>-0-</u>	<u>-0-</u>	<u>9085</u>
Total Other Capital Assets	681990	199410	158387	723013
<u>Less Accumulated Depreciation for:</u>				
Buildings	(104837)	(1015)	91703	(14149)
Furniture and Other Equipment	(357791)	(33531)	-0-	(391322)
Sewer Mains/Lines	<u>(286)</u>	<u>(140)</u>	<u>-0-</u>	<u>(426)</u>
Total Accumulated Depreciation	(462914)	(34686)	91703	(405897)
Other Capital Assets, Net	219076	164724	66684	317116
TOTAL ASSETS	\$ <u>222304</u>	\$ <u>184345</u>	\$ <u>66684</u>	\$ <u>339965</u>

Depreciation was charged to governmental functions as allocated.

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

There are no capital assets or depreciation for the business-type activities for the fiscal year ended March 31, 2007.

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township for the fiscal year ended March 31, 2007.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

	<u>Water Fund</u>
Operating Revenues	\$ 3978
Depreciation and Amortization Expense	0
Operating Income or (Loss)	1537
Operating Grants, Entitlements, and Shared Revenues	0

(Continued on page 89)

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

	<u>Water Fund</u>
Operating Transfers:	\$
In	0
(Out)	0
Tax Revenues	0
Net Income or Loss	1590
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	0
Deletions	0
Net Working Capital	6750
Total Assets	7125
Bonds and Other Long Term	
Liabilities	
Payable from operating Revenue	375
Payable from Other Sources	0
Total Equity	\$ 6750

TOWNSHIP OF MASTODON

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE K - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2007, there were no subsequent events that would have a significant effect on the Township's operations.

NOTE L - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to be reported for the **Township of Mastodon** for the fiscal year ended March 31, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF MASTODON

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
General property taxes	\$ 124,033	\$ 124,033	\$ 132,689
Other local taxes	25,690	25,690	27,887
Tax collection and administration fees	19,731	19,731	20,602
Licenses, permits, and fees	2,000	2,000	2,007
Sale of property	74,000	74,000	74,000
Use of money and property	2,762	2,762	5,152
Miscellaneous	32,200	32,200	10,284
Intergovernmental	30,000	30,000	32,069
	<hr/>	<hr/>	<hr/>
Total Revenue	310,416	310,416	304,690
 <u>EXPENDITURES</u>			
General government	86,927	86,927	62,322
Legislative	29,910	29,910	21,756
Township property	151,891	151,891	44,529
Public works	26,101	26,101	16,552
Public safety	54,290	54,290	32,599
Parks and recreation	28,853	28,853	16,519
	<hr/>	<hr/>	<hr/>
Total Expenditures	377,972	377,972	194,277
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfer Out - Capital Projects Fund	100,000	100,000	100,000
Transfer Out - Debt Service Fund	100	100	100
Transfer Out - External Parties	10,000	10,000	9,482
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(177,656)	(177,656)	831
 Fund Balance -Beginning of Year	 457,678	 457,678	 457,678
	<hr/>	<hr/>	<hr/>
Fund Balance - End of Year	<u>\$ 280,022</u>	<u>\$ 280,022</u>	<u>\$ 458,509</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - ROAD FUND

YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
Property taxes	\$ 72,591	\$ 72,591	\$ 74,237
Other local taxes	150	150	120
Use of money and property	1,739	1,739	3,476
Intergovernmental	3,000	3,000	4,201
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	77,480	77,480	82,034
 <u>EXPENDITURES</u>			
Public works	<u>159,822</u>	<u>159,822</u>	<u>22,428</u>
Total Expenditures	159,822	159,822	22,428
 Net Change in Fund Balance	(82,342)	(82,342)	59,606
 Fund Balance - Beginning of Year	<u>164,732</u>	<u>164,732</u>	<u>164,732</u>
 Fund Balance - End of Year	<u>\$ 82,390</u>	<u>\$ 82,390</u>	<u>\$ 224,338</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF MASTODON

OTHER SUPPLEMENTAL INFORMATION

BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2007

	<u>Liquor Law Enforcement Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$ (334)	\$ 100	\$ (234)
Due from Other Funds	<u>793</u>	<u>-</u>	<u>793</u>
TOTAL ASSETS	<u>\$ 459</u>	<u>\$ 100</u>	<u>\$ 559</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accrued payroll taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-
Fund Balances			
Reserved for Liquor Law Enforcement	459	-	459
Reserved for Debt Service	<u>-</u>	<u>100</u>	<u>100</u>
Total Fund Balances	459	100	559
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 459</u>	<u>\$ 100</u>	<u>\$ 559</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2007

	<u>Liquor Law Enforcement Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>REVENUE</u>			
Intergovernmental	\$ 330	\$ -	\$ 330
TOTAL REVENUE	\$ 330	\$ -	\$ 330
<u>EXPENDITURES</u>			
Current:			
Public safety	323	-	323
TOTAL EXPENDITURES	\$ 323	\$ -	\$ 323
Excess (Deficiency) of Revenues Over Expenditures	7	-	7
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	-	100	100
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	7	100	107
FUND BALANCE - BEGINNING OF YEAR	452	-	452
FUND BALANCE - END OF YEAR	\$ 459	\$ 100	\$ 559

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2007

	LIQUOR LAW ENFORCEMENT FUND	ROAD REPAIR FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ (334)	\$ 216,279	\$ 215,945
Delinquent Taxes Receivable	-	3,445	3,445
Due from Other Funds	793	4,614	5,407
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 459</u></u>	<u><u>\$ 224,338</u></u>	<u><u>\$ 224,797</u></u>
 <u>FUND EQUITY</u>			
Fund Balance			
Reserved for Liquor Law Enforcement	459	-	459
Reserved for Road Maintenance and Improvement	-	224,338	224,338
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u><u>\$ 459</u></u>	<u><u>\$ 224,338</u></u>	<u><u>\$ 224,797</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – ALL SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED MARCH 31, 2007

	LIQUOR LAW ENFORCEMENT FUND	ROAD REPAIR FUND	TOTAL
<u>REVENUES</u>			
Taxes	\$ -	\$ 74,357	\$ 74,357
State Revenue	330	4,201	4,531
Interest	-	3,476	3,476
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 330	\$ 82,034	\$ 82,364
 <u>EXPENDITURES</u>			
Salaries	300	-	300
Fringe Benefits	23	-	23
Maintenance and Repair	-	20,652	20,652
Contract Services	-	400	400
Capital Outlay	-	1,376	1,376
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	323	22,428	22,751
 Excess of Revenues Over (Under) Expenditures	 7	 59,606	 59,613
 FUND BALANCE, APRIL 1	 <hr/> 452	 <hr/> 164,732	 <hr/> 165,184
 FUND BALANCE, MARCH 31	 <u><u>\$ 459</u></u>	 <u><u>\$ 224,338</u></u>	 <u><u>\$ 224,797</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET - GENERAL FUND*MARCH 31, 2007***ASSETS**

Cash and Deposits	\$	422,997
Receivables:		
Taxes		6,157
Assessments		150
Tax Overpayments		144
Due From Other Funds		<u>29,904</u>
TOTAL ASSETS	\$	<u>459,352</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable		21
Due To Other Funds		<u>822</u>
TOTAL LIABILITIES		843

FUND EQUITY

Fund Balance		<u>458,509</u>
TOTAL FUND EQUITY		458,509
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>459,352</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUE S – GENERAL FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>TAXES</u>			
Current Property Taxes	\$ 132,689	\$ 124,033	\$ 8,656
Administrative Fees	19,990	19,177	813
State Payment in Lieu of Taxes	20,779	20,779	-
Commercial Forest	2,329	300	2,029
Lake Mary - Fire Assessment	4,779	4,611	168
Interest and Penalties on Taxes	612	554	58
TOTAL TAXES	181,178	169,454	11,724
<u>STATE-SHARED RECEIPTS</u>			
Sales Tax	32,069	30,000	2,069
TOTAL STATE-SHARED RECEIPTS	32,069	30,000	2,069
<u>INTEREST AND RENTAL</u>			
Interest	5,152	2,762	2,390
Hall Rental	2,161	1,200	961
TOTAL INTEREST AND RENTAL	7,313	3,962	3,351
<u>OTHER REVENUE</u>			
Zoning Permits/Fees	2,007	2,000	7
Sale of Assets	74,000	74,000	-
Miscellaneous	8,123	31,000	(22,877)
TOTAL OTHER REVENUE	84,130	107,000	(22,870)
TOTAL REVENUES	<u>\$ 304,690</u>	<u>\$ 310,416</u>	<u>\$ (5,726)</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LEGISLATIVE</u>			
<u>Township Board</u>			
Salaries	\$ 1,310	\$ -	\$ -
Fringe Benefits	100		
Supplies	1,839	-	-
Printing/Publishing	1,544		
Legal	5,435	-	-
Audit	2,675		
Professional Fees	5,188	-	-
Insurance	1,559		
Telephone	1,780	-	-
Miscellaneous	326		
	<hr/>	<hr/>	<hr/>
TOTAL LEGISLATIVE	\$ 21,756	\$ 29,910	\$ 8,154
<u>GENERAL GOVERNMENT</u>			
<u>Supervisor</u>			
Salaries	8,400	-	-
Fringe Benefits	643		
	<hr/>	<hr/>	<hr/>
Total Supervisor	9,043	9,250	207
<u>Assessor</u>			
Professional Fees/Contract Labor	13,019	-	-
Supplies	851		
Miscellaneous	241		
	<hr/>	<hr/>	<hr/>
Total Assessor	14,111	18,050	3,939
<u>Elections</u>			
Wages	1,665	-	-
Supplies	24		
Printing/Publishing	458	-	-
Miscellaneous	50		
	<hr/>	<hr/>	<hr/>
Total Elections	\$ 2,197	\$ 7,800	\$ 5,603

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL GOVERNMENT (CONTINUED)</u>			
<u>Clerk</u>			
Salaries	\$ 10,490	\$ -	\$ -
Fringe Benefits	802		
Supplies	324	-	-
Travel	22		
	<hr/>	<hr/>	<hr/>
Total Clerk	11,638	12,907	1,269
<u>Treasurer</u>			
Salaries	11,407	-	-
Fringe Benefits	873		
Supplies	1,159	-	-
Printing/Publishing	713		
Travel	241	-	-
	<hr/>	<hr/>	<hr/>
Total Treasurer	14,393	20,850	6,457
<u>Cemetery</u>			
Professional Fees	4,434		
	<hr/>	<hr/>	<hr/>
Total Cemetery	4,434	4,500	66
<u>Board of Review</u>			
Salaries	428	-	-
Fringe Benefits	33		
Printing/Publishing	158	-	-
Membership Dues/Education	124		
	<hr/>	<hr/>	<hr/>
Total Board of Review	\$ 743	\$ 1,800	\$ 1,057

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL GOVERNMENT (CONTINUED)</u>			
<u>Zoning</u>			
Salaries	\$ 4,320	\$ -	\$ -
Fringe Benefits	330		
Supplies	106	-	-
Travel	62		
Printing/Publishing	398	-	-
Membership Dues/Education	480		
Telephone	67	-	-
	<hr/>	<hr/>	<hr/>
Total Zoning	5,763	11,770	6,007
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	\$ 62,322	\$ 86,927	\$ 24,605
	<hr/>	<hr/>	<hr/>
<u>TOWNSHIP PROPERTY</u>			
<u>Township Hall</u>			
Salaries	6,714	-	-
Fringe Benefits	2,378		
Supplies	712	-	-
Printing/Publishing	206		
Contract Services	2,340	-	-
Insurance	3,100		
Utilities	6,422	-	-
Telephone	318		
Maintenance and Repair	606	-	-
Miscellaneous	145		
Capital Outlay	21,588	-	-
	<hr/>	<hr/>	<hr/>
TOTAL TOWNSHIP PROPERTY	\$ 44,529	\$ 151,891	\$ 107,362
	<hr/>	<hr/>	<hr/>
<u>DEPARTMENT OF PUBLIC WORKS</u>			
<u>Garage/Equipment</u>			
Salaries	6,228	-	-
Fringe Benefits	2,205		
Supplies	62		
Utilities	1,164	-	-
Street Lighting	2,381		
Insurance	1,221		
Gas, Fuel and Oil	971	-	-
Maintenance and Repair	747		
Miscellaneous	528		
Capital Outlay	1,045	-	-
	<hr/>	<hr/>	<hr/>
TOTAL DEPARTMENT OF PUBLIC WORKS	\$ 16,552	\$ 26,101	\$ 9,549
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>PUBLIC SAFETY</u>			
<u>Fire</u>			
Salaries	\$ 2,460	\$ -	\$ -
Fringe Benefits	188		
Supplies	3,039		
Printing/Publishing	193	-	-
Membership Dues/Education	704		
Contract Services	4,981		
Gas, Fuel and Oil	1,184	-	-
Maintenance and Repair	1,668		
Insurance	7,128		
Telephone	1,050	-	-
Utilities	9,692		
Miscellaneous	312		
	<hr/>	<hr/>	<hr/>
TOTAL PUBLIC SAFETY	\$ 32,599	\$ 54,290	\$ 21,691
<u>RECREATION AND CULTURAL</u>			
<u>Parks/Recreation</u>			
Salaries	3,784	-	-
Fringe Benefits	1,340		
Supplies	30		
Contract Services	1,059	-	-
Insurance	1,662		
Maintenance and Repair	28		
Utilities	719	-	-
Telephone	707		
Miscellaneous	393		
Capital Outlay	6,797	-	-
	<hr/>	<hr/>	<hr/>
TOTAL RECREATION AND CULTURAL	\$ 16,519	\$ 28,853	\$ 12,334
TOTAL EXPENDITURES	\$ 194,277	\$ 377,972	\$ 183,695
<u>OTHER FINANCING USES</u>			
Transfer Out - Capital Projects Fund	100,000	100,000	-
Transfer Out - Debt Service Fund	100	100	
Transfer Out - External Parties	9,482	10,000	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	\$ 109,582	\$ 110,100	\$ 518
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 303,859</u>	<u>\$ 488,072</u>	<u>184,213</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2007

ASSETS

Cash	\$ (334)
Due From Other Funds	<u>793</u>
TOTAL ASSETS	<u>\$ 459</u>

FUND EQUITY

Fund Balance - Reserved	<u>459</u>
TOTAL FUND EQUITY	<u>\$ 459</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
LIQUOR LAW ENFORCEMENT FUND**

ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Grants	\$ 330	\$ -	\$ -
TOTAL REVENUES	\$ 330	\$ 335	\$ (5)
<u>EXPENDITURES</u>			
Salaries	300		
Fringe Benefits	23		
TOTAL EXPENDITURES	\$ 323	\$ 325	\$ 2
Excess of Revenues Over (Under) Expenditures	7	10	(3)
FUND BALANCE, APRIL 1	452		
FUND BALANCE, MARCH 31	\$ 459		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET – ROAD REPAIR FUND

MARCH 31, 2007

ASSETS

Cash	\$ 216,279
Delinquent Taxes Receivable	3,445
Due From Other Funds	<u>4,614</u>

TOTAL ASSETS	<u>\$ 224,338</u>
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FUND EQUITY

Fund Balance - Reserved	<u>224,338</u>
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TOTAL FUND EQUITY	<u>\$ 224,338</u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ROAD
REPAIR FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Property Taxes	\$ 74,237	\$ -	\$ -
Commercial Forest	120		
Metro Act	4,201		
Interest	3,476		
Miscellaneous	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	\$ 82,034	\$ 77,480	\$ 4,554
 <u>EXPENDITURES</u>			
Contracted Services	400	-	-
Maintenance	20,652		
Capital Outlay	<u>1,376</u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 22,428	\$ 159,822	\$ 137,394
 Excess of Revenues Over (Under) Expenditures	 59,606	 (82,342)	 141,948
 FUND BALANCE, APRIL 1	 <u>164,732</u>		
FUND BALANCE, MARCH 31	<u><u>\$ 224,338</u></u>		

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET – DEBT SERVICE FUND

MARCH 31, 2007

ASSETS

Cash and Deposits	<u>\$ 100</u>
TOTAL ASSETS	<u><u>\$ 100</u></u>

FUND EQUITY

Fund Balance, Reserved	<u>\$ 100</u>
TOTAL FUND EQUITY	<u><u>\$ 100</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – DEBT
SERVICE FUND**

FISCAL YEAR ENDED MARCH 31, 2007

<u>REVENUES</u>	\$	-
TOTAL REVENUES	\$	-
<u>EXPENDITURES</u>	\$	-
TOTAL EXPENDITURES	\$	-
Excess of Revenues Over (Under) Expenditures	\$	-
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	\$	100
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses		100
FUND BALANCE, APRIL 1		-
FUND BALANCE, MARCH 31	\$	100

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET – CAPITAL PROJECTS FUND

MARCH 31, 2007

ASSETS

Cash	<u>\$ 100,000</u>
TOTAL ASSETS	<u><u>\$ 100,000</u></u>

FUND EQUITY

Fund Balance, Reserved	<u>100,000</u>
TOTAL FUND EQUITY	<u><u>\$ 100,000</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
CAPITAL PROJECTS FUND**

FISCAL YEAR ENDED MARCH 31, 2007

<u>REVENUES</u>	\$	-
TOTAL REVENUES	\$	-
<u>EXPENDITURES</u>		-
TOTAL EXPENDITURES	\$	-
Excess of Revenues Over (Under) Expenditures		-
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)		100,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses		100,000
FUND BALANCE, APRIL 1		-
FUND BALANCE, MARCH 31	\$	100,000

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

BALANCE SHEET - WATER FUND*MARCH 31, 2007***ASSETS**

Cash and Deposits:

Restricted

\$ -

Unrestricted

6,760

Accounts Receivable

365**TOTAL ASSETS****\$ 7,125****LIABILITIES AND FUND EQUITY****LIABILITIES**

Deferred Revenue

375**TOTAL LIABILITIES****375****FUND EQUITY**

Retained Earnings

Restricted for Water System Repairs/Improvements

6,750**TOTAL FUND EQUITY****6,750****TOTAL LIABILITIES AND FUND EQUITY****\$ 7,125**

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
WATER FUND**

YEAR ENDED MARCH 31, 2007

OPERATING REVENUE

Charges for Services	\$ 3,978
Miscellaneous Revenue	-
	<hr/>
TOTAL OPERATING REVENUE	\$ 3,978

OPERATING EXPENSES

Personal Services	10
Administrative and Clerical	-
Professional Fees/Contract Labor	1,716
Other Supplies and Expenses	715
Depreciation	-
	<hr/>
TOTAL OPERATING EXPENSES	\$ 2,441

Operating Profit (Loss)	1,537
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Other Revenue

Interest Revenue	53
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NET PROFIT (LOSS)	1,590
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RETAINED EARNINGS, APRIL 1	<u>5,160</u>
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RETAINED EARNINGS, MARCH 31	<u><u>\$ 6,750</u></u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF CASH FLOWS- WATER FUND*FISCAL YEAR ENDED MARCH 31, 2007***CASH FLOWS FROM (USED BY)****OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 4,993
Other operating revenues	
Cash payments to employees for services	(10)
Cash payments to goods and services	(2,431)
Other operating expenses	-

NET CASH FROM OPERATING ACTIVITIES	\$ 2,552
-------------------------------------------	-----------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	-
---------------------------------------------------------------	----------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	
Principal payment on long-term bonds	
Interest paid on long-term bonds	
Interest and tax expense	
Proceeds from borrowings	
Contributed capital grants	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
----------------------------------------------------------------------	----------

INVESTING ACTIVITIES

Interest Income	53
-----------------	----

NET CASH FROM INVESTING ACTIVITIES	53
-------------------------------------------	-----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,605
---------------------------------------------------------	-------

Cash and Cash Equivalents, Beginning of Year	4,155
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Cash and Cash Equivalents, End of Year	\$ 6,760
-----------------------------------------------	-----------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**STATEMENT OF CASH FLOWS
WATER FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ 1,537
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	-
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	965
Increase (Decrease) in accounts payable	-
Increase (Decrease) in deferred revenue	50
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,552</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2007

				Balance			Balance
				<u>3/31/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>3/31/2007</u>
ASSETS							
	Cash			\$ 42,375	\$ 2,090,935	\$ 2,054,549	\$ 78,761
	TOTAL ASSETS			<u>\$ 42,375</u>	<u>\$ 2,090,935</u>	<u>\$ 2,054,549</u>	<u>\$ 78,761</u>
LIABILITIES							
	Due to Other Funds			23,724	259,182	248,417	34,489
	Due to State of Michigan			8,041	-	8,041	-
	Due to Schools			3,211	822,211	811,956	13,466
	Due to DIISD			1,073	105,543	101,740	4,876
	Due to County			6,326	888,511	881,889	12,948
	Due to Other			-	15,487	2,505	12,982
	TOTAL LIABILITIES			<u>\$ 42,375</u>	<u>\$ 2,090,934</u>	<u>\$ 2,054,548</u>	<u>\$ 78,761</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**ALPHA MASTODON TOWNSHIP FIRE DEPARTMENT – BALANCE SHEET - DISCRETELY
PRESENTED COMPONENT UNIT**

MARCH 31, 2007

ASSETS

Current Assets

Cash and cash equivalents	<u>\$ 2,362</u>
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Total Current Assets	<u>2,362</u>
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TOTAL ASSETS	<u><u>\$ 2,362</u></u>
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FUND EQUITY

Fund Balance, Unreserved	<u>2,362</u>
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TOTAL FUND EQUITY	<u><u>\$ 2,362</u></u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF MASTODON

**ALPHA MASTODON TOWNSHIP FIRE DEPARTMENT – STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - DISCRETELY PRESENTED
COMPONENT UNIT**

FISCAL YEAR ENDED MARCH 31, 2007

REVENUES

Fund raising	\$ 5,741
Interest from investments	100
Grant revenue	<u>180,168</u>

TOTAL REVENUES	\$ 186,009
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EXPENDITURES

<u>Fund-Raising</u>	
Special events	<u>3,724</u>

Total Fund-Raising	3,724
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<u>Grant Expenditures</u>	
Travel	647
Training	1,000
Capital Outlay	<u>188,224</u>

Total Public Safety	189,871
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TOTAL EXPENDITURES	\$ 193,595
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Excess of Revenues Over (Under) Expenditures	\$ (7,586)
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Other Financing Sources (Uses)

Transfer In - External Parties	9482
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Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,896
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FUND BALANCE, April 1	<u>466</u>
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FUND BALANCE, March 31	<u><u>\$ 2,362</u></u>
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The notes to the financial statements are an integral part of this report.

**INDEPENDENTS AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Township of Mastodon
Alpha, Michigan 49902

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Mastodon**, Alpha, Michigan as of and for the year ended March 31, 2007, which collectively comprise the **Township of Mastodon**, Alpha, Michigan's basic financial statements, and have issued our report thereon dated May 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Township of Mastodon**, Alpha, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the **Township of Mastodon**, Alpha, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Township of Mastodon**, Alpha, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Township of Mastodon**, Alpha, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Township of Mastodon**, Alpha, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Township of Mastodon**, Alpha, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Township of Mastodon**, Alpha, Michigan's internal control.

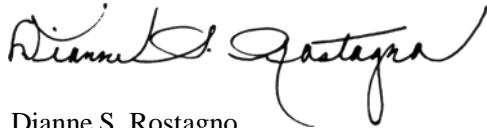
Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Township of Mastodon**, Alpha, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the last name being particularly prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 29, 2007